

86<sup>th</sup> Legislative Session – 2011

Committee: Joint Appropriations

Monday, February 14, 2011

P - Present  
E - Excused  
A - Absent

Roll Call

P Sutton  
P Haverly  
P Heineman  
P Novstrup (Al)  
P Peters  
P Putnam  
P Rampelberg  
P Dennert  
P Wismer  
P Juhnke  
P Bolin  
P Romkema  
P Dryden  
P White  
P Tidemann  
P Carson  
P Brown, Vice-Chair  
P Wink, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Representative Dean Wink.

**Board of Regents**

**Mr. Terry Baloun**, President of the Board of Regents, introduced the board members present at the meeting – Dr. Kathy Johnson, Dr. Jim Hanson, Mr. Harvey Jewett, Mr. Dean Krogman, Mr. Randall Morris, Mr. Randy Schaefer, and Mr. Pat Weber.

For FY2012, the Governor recommends a budget of \$772,472,037; comprised of \$150,748,788 in general funds, \$224,468,345 in federal fund expenditure authority, and \$377,254,904 in other fund expenditure authority; and 5,012.4 FTEs. This request is a total increase of \$52,868,809 – made up of a decrease of \$16,554,168 (9.9%) general funds, increase of \$50,702,333 (26.2%) federal funds, and an increase of \$18,720,644 in other fund expenditure authority – from the FY2011 budget. The recommendation also includes an increase of 178.9 FTEs from the FY2011 budget.

Distributed was a meeting schedule (Document #1), the BOR FY2012 budget request (**Document #2**), and the FY2011 Fact Book (**Document #3**).

**Dr. Jack Warner**, Executive Director and CEO of the Board of Regents (BOR), said that the BOR has reconciled about \$10.3 million in budget cuts during the previous two fiscal years – about \$3.8 million in FY2012 and \$6.5 million in FY2011. The declining base will be \$27.8 million (15.6%) in general funds cut over the three fiscal years. The reduced state support increased tuition and fees 4.6% during FY2011.

The BOR had an additional 2,661 students this school year, but to meet the budget reduction, cuts were made. BOR was able to reconcile the \$10.3 million in budget cuts in FY2010 and FY2011 by:

- Making \$1.6 million in cuts in FY10 to maintenance and repair projects, due to loss of state match;
- Making \$1.3 million in cuts to the system and university FY10 operating budget base;
- Making \$4.4 million in cuts to the system and campus operating budgets in FY11; and
- Raising tuition to cover the balance of the budget cuts, cover the cost of inflation, fund enrollment growth, fund the wireless technology initiative, fund the Master in Social Work program, and cover health insurance cost increases.

Dr. Warner noted that the first obligation of the BOR is to have faculty to teach the courses. With the budget cuts, the BOR was able to fulfill this obligation by using more part-time faculty member and lectures. Other areas that BOR addressed the budget cut were – limiting filling of permanent, full-time faculty, keep administrative and service positions vacant through reorganizations and reductions of services, and cutting 37 degree programs and 109 concentrations.

**Representative Dean Wink** asked about the criteria the BOR uses in determining if a program should be retained or eliminated. Dr. Warner stated that the review first looks at programs that have graduated fewer than 20 students over a four year period. Then, the review includes the nature of the program, need in the workforce, and demand.

Dr. Warner said that page 8 of Document #3 shows the Governor's FY2012 general fund 10% reduction recommendation for the state public universities and special schools. There is a utility reduction of \$297,216 that has not been allocated to the universities and special schools. The ARRA replacement funding is not a new source of funding, but rather the funding replaces the ARRA money that was previously cut from general funds. The balance of ARRA funds that will need to be replaced with general funds in FY2013 is \$10,623,423. The replacement for the ARRA stimulus funds brings the total cut from general funds in FY2011 to 10.6%.

Typically, the Board develops a budget in April based on the approved budget. Due to the time constraints involved with this year's budget, there was no time to have a board meeting. The BOR talked to individual board members one-on-one to create budget cut ideas.

To achieve the \$17.5 million budget cut recommendation for FY2012, the BOR made targeted cuts to areas that have more general funds. The South Dakota School for the Deaf (SDSD) and the South Dakota School for the Visually Impaired (SDSVI) will receive a \$568,556 (10%) general fund reduction. The reduction for the Cooperative Extension Service (CES) and the Agricultural Experiment Station (AES) is \$1,830,672 (10%). The Board of Regents' Central Office and the system centers will receive a \$2,831,918 budget reduction in FY2012. Dr. Warner noted that the budget cut to the central office and system center is not a 10% across the board cut due to bond payments and debt services.

The remaining \$14,675,292 recommended budget cut for FY2012 will be cut from the public universities based on the tuition and fee increase. If the tuition and fees are increased 6%, the universities will need to absorb a budget cut of \$7,575,292. If the tuition and fees are raised 8%, the universities will need to absorb a budget cut of \$5,275,292. Page 10 of Document #2 shows the anticipated budget reduction per school based on the two scenarios of tuition increases. Dr. Warner noted that the fees generated from the increased tuition and fees, plus the budget cuts to SDSD, SDSVI, CES, AES, and the central office is the 10% reduction recommended by the Governor.

The challenge is to meet the current and future needs of the state while remaining within the appropriated budget. Therefore, the BOR will meet the budget reduction by make the following cuts:

- Limit enrollment to certain high-cost programs, e.g. medicine, health professions, engineering;
- Reorganize and downsize administrative and student services;
- Lay off employees, if position vacancies are insufficient;
- Reduce or eliminate some non-instructional programming; and
- Continue to reduce academic program offerings to reduce the base budget over time and to be responsive to changing workforce demands.

In response to Representative Wink's request, Dr. Warner said he would forward a list of programs/degrees that are currently being expanded, as per student demand and industry need.

**Senator Phyllis Heineman** asked about the different costs associated with the high cost programs per credit hour. **Mr. Monte Kramer**, System Vice President of Finance and Management, stated that the universities have special discipline fees, salary enhancement fees, and major fees associated with the various high cost programs. The fee schedule is outlined on pages 32 and 33 in the FY2011 Fact Book (Document #3).

Mr. Kramer stated, in response to Senator Heineman's question, that the campuses look closely at the types of students admitted to the programs – resident vs. non-resident. There is a 150% premium for non-residents to take a course at a state university, and the premium for non-residents attending medical school in South Dakota is even higher. For a high cost program, the universities will look at the ratio for enrollments, but the priority is to admit residents first. The BOR will also need to review the special discipline fees to determine if they are adequate for the program.

**Representative Fred Romkema** asked about the total budget reduction percentage per university. Mr. Kramer stated that the allocation of cuts in the Document #2 include a range from 9%-14%. As the BOR identified the entities that are funded solely with general funds, those areas received a 10% budget reduction in general funds for FY2012. It is different for the universities because the general fund money, tuition revenue, and the salary competitive fees are pooled together from all six public universities. When deciding on budget cuts for institutions, the BOR looked at all the revenue streams (general, federal, and other funds) and made budget cuts based on apportionment to each school; which accounts for the variance amongst the universities.

**Representative Jim White** asked about the average tuition this year with the proposed cuts compared to the last year. Mr. Baloun stated that the tuition increase has been between 6% to 7% over the last 12 years. Last year, BOR raised tuition 4.6%. The student federation was consulted about the increases and potential budget cuts. On average, the BOR uses 5.5% of an annual tuition increase to fund a 3% state salary policy, 4.5% for salary increase on regents employees, and 1% for the salary competitiveness.

**Representative Jim Bolin** asked about the source of funding for the grants. Dr. Warner stated that most of the grants received are federally funded, but the source of funding varies amongst different federal agencies (Department of Energy, Department of Defense etc.).

**Ms. Kathy Johnson**, Vice President of the Board of Regents, said that the BOR made significant progress with the 2010 Initiative agenda put forth by former Governor Rounds. Some outputs will suffer with the recommended budget cuts, but the BOR will do it's best to maintain the quality of outputs.

A record number of students are being served by South Dakota public universities while the K-12 enrollments have declined and leveled. Ms. Johnson stated that the enrollment at universities has grown by about 12,000 students since 1997. At the same time, K-12 enrollment has decreased about 9,000 students.

**Senator Corey Brown** requested the BOR change the axis on the chart on page 13 of Document #2. He would like to see both K-12 and higher education displayed with the same minimum and maximum axis.

As part of the 2012 Initiative, the BOR worked to increase the total number of graduates from public universities. The number of undergraduate degree graduates increased from 3,616 in the 2003-2004 school year to 4,211 in the 2008-2009 school year. The total number of graduates (both undergraduate and graduate) increased from 4,788 in the 2003-2004 school year to 5,445 in the 2008-2009 school year; a 14% increase.

**Senator Bruce Rampelberg** asked the BOR to provide the percentage of college students that graduate in undergraduate programs in South Dakota. Dr. Warner stated that institutional graduation rate is about 50% over six years. This percentage does not include students that transfer between universities. The National Clearing House tracks the students in institutions across the country. When students that are pursuing degrees outside of the South Dakota regential system and the students pursuing degrees after six years are added, the graduation rate is about 73%. The average graduate attends three different universities before graduating, and therefore it is difficult to provide an exact figure.

Ms. Johnson stated that the university research grants awarded have increased from \$33,187,272 in FY2000 to \$154,047,940 in FY2010; a 160% increase. At the same time, grant and contracts expenditures increased from \$39.8 million in FY2001 to \$103.6 million in FY2010. The majority of the grants are funded with federal funds.

Part of the charge for the state public universities is to be a recruitment tool for the state. The ratio of youth staying in the state for school has been slowly increasing, and now the BOR recruits students from out-of-state about a quarter more than in-state students. Ms. Johnson stated that South Dakota gains more residents than the state loses.

Ms. Johnson stated that based on a study done last summer by the USD Business Research Bureau, the state public universities generate about \$1.97 billion a year in long-run annual economic impact to the state, from an investment of \$176 million.

The BOR tries to keep the cost of undergraduate degrees affordable and competitive. The total cost for an undergraduate resident in FY2011 was \$12,576; which is the third lowest in the nation. However, South Dakota ranks near the top when just the cost of tuition is compared. Mr.

Kramer noted that other states do not place maintenance and repair fees (HEFF fund) in the students' tuition.

The BOR budget consists of \$171,421,475 (24%) tuition and fees, \$167,302,956 (23%) general funds, \$148,556,548 (21%) federal restricted grants, \$135,337,688 (19%) other funds, \$33,843,956 (5%) federal appropriated, \$32,663,407 (4%) Room and Board, \$17,353,648 (2%) HEFF, \$11,365,508 (2%) ARRA funds, and \$1,718,043 (0%) School and Public Lands.

Page 23 of Document #2 outlines the state public universities ARRA funding. Mr. Kramer stated that the FY2011 budget was about \$720 million and the general funds represent about 23% of the total funding. The recommended budget for FY2012 is about \$772 million; which includes \$11,365,000 in ARRA replacement funding. The ARRA funding is part of the general funds mix for FY2012, and will need to be replaced in FY2013.

### **South Dakota State University**

For FY2012, the Governor recommends a budget of \$242,637,020 and 1,617.7 FTEs; which is a decrease of \$4,683,533 (11.9%) in general funds, an increase of \$2,800,628 in federal fund expenditure authority, an increase of \$11,412,400 in other fund expenditure authority, and an increase of 87.9 FTEs from the FY2011 budget.

**Dr. David Chicoine**, President of South Dakota State University (SDSU), distributed a document outlining the university's FY2011 funding, current enrollment, highlights, and areas that will be changed in FY2012 (**Document #4**).

During FY2011, SDSU had an enrollment of 12,816. Dr. Chicoine stated that it is projected that the university will have 13,600 students enrolled in the fall of 2012. Currently, 67% of the students are South Dakota residents and 53% are female.

The FY2011 operating revenues included \$233,107,525 from the university, \$38,819,144 from the Agricultural Experiment Station, and \$16,326,558 from the Cooperative Extension Service for a total of \$288,253,227. The total amount from general funds, stimulus funds, and tuition and fee revenue (\$117.8 million) is the base budget.

Dr. Chicoine commented that in reaction to the budget reduction, SDSU will need to stop and change some practices in FY2012. Some of the changes include:

- To stop offering:
  - low-demand courses not central to the core mission;
  - on-demand additional general education sections for freshman;
  - broad array of elective and enrichment courses;
  - no-fee and below-cost fee outreach services; and
  - benefits for temporary instructors and staff.

- To change by:
  - capping enrollment in sections;
  - allowing unlimited growth in high-demand programs;
  - having more extensive cost-based, user-fee outreach services; and
  - Managing general education sections for freshman to include block scheduling.

In response to **Senator Deb Peters** questions, Dr. Chicoine stated that five majors, 97 specializations, and 200 courses will be eliminated. Some examples include – pre-social work specialization in sociology, European studies, Latin American studies, general science minor, pre K-12 reading, bachelor of applied technical science, and a bachelor of science in global studies. Students that are currently in the field of study will be able to complete the program, but SDSU will no longer admit students to those programs. The number of students currently enrolled in the program will be provided to the committee.

Representative Dennert asked about the extension partnership with the counties. Dr. Chicoine responded that SDSU is not able to continue the current staffing patterns with three years of budget cuts.

#### **University of South Dakota**

For FY2012, the Governor recommends for the University of South Dakota, excluding the USD School of Medicine, a budget of \$115,994,706 and 1,026.2 FTEs; which is a decrease of \$3,229,698 (10.69%) in general funds and an increase of \$2,737,138 in federal fund expenditure authority from the FY2011 budget.

For the USD School of Medicine in FY2012, the Governor recommends a budget of \$51,367,780 and 349.2 FTEs. This is a decrease of \$1,404,318 (8.4%) in general funds and a decrease of \$1,628,199 in federal funds from the FY2011 budget.

**Dr. Jim Abbott**, President of the University of South Dakota (USD), distributed a handout outlining the university's highlights, changes, and budget for FY2011 (**Document #5**).

To address the FY2012 budget reductions, the university will review all vacant positions (53 positions have been eliminated over the past 3 years), review out-reach programs, review all low enrollment majors and courses on campus, and review teacher ration and workloads.

Dr. Abbott responded to the questions the Joint Appropriations Committee sent prior to the legislative session. In FY2012, USD will possibly:

- Eliminate or reduce the size of out-reach courses because they are high-cost, low-enrollment courses (examples include – LPN to RN program in Watertown, nursing programs offered in Pierre and Rapid City, and third and fourth year medical school programs in Yankton);

- Review class sizes at the University Center in Sioux Falls and Rapid City;
- Review all low enrolled programs on campus (i.e. all language courses excluding Spanish, computer science, linguist, and philosophy);
- Review all programs at the medical school to ensure maximizing services;
- Review the resident and non-resident mix;
- Student services (i.e. computer support on weekends); and
- Regulatory relief – Office of the State Engineer and the Bureau of Information and Telecommunications charge significant amounts annually to the university.

New items that are being considered in FY2012 include using more adjunct professors and teaching assistants in freshman courses, seek more partnerships in medical and health, asking for surcharges for courses with clinical component, and review all performance courses in the fine arts.

**Senator Al Novstrup** asked about the possible reduction in regulatory relief. Dr. Abbott responded that USD must have an employee from the Office of the State Engineer in Pierre review the site for every project completed on the campus. The fee is about 1% to 2% of the total cost of the project. Dr. Abbott said that USD could buy bandwidth cheaper than the rate charged by the Bureau of Information and Telecommunications. He would like to review the issue and get quotes from vendors.

### **South Dakota School of Mines and Technology**

For FY2012, the Governor recommends a budget of \$114,657,767 and 358.8 FTEs; which is a decrease of \$1,332,783 (9.7%) in general funds, an increase of \$56,579,910 in federal fund expenditure authority, an increase of \$1,930,000 in other fund expenditure authority, and an increase of 40.0 FTEs from the FY2011 budget.

**Mr. Robert Wharton**, President of South Dakota School of Mines and Technology (SDSMT), distributed a handout outlining the universities highlights, changes, and budget for FY2011 (**Document #6**).

President Wharton stated that that \$11.4 million appropriated to SDSMT in FY2011 provided an estimated \$148 million in economic benefits. The university directly supports 390 full-time jobs, providing \$27.6 million in salaries and benefits to state employees. A budget cut of \$1.4 million is equal to eliminating 10 positions.

Activities that will be stopped in FY 2012 due to budget constraints include decreases in course options and services due to not filling open faculty, administrative, and service positions; activities and services contributing to student success; and campus custodial and grounds keeping. Activities that will be changed in FY2012 are the reorganization or downsizing the delivery of other administrative and student activities and perusing regulatory relief of selected



governmental requirements. New activities planned include using more part-time faculty and graduate assistants for delivering instruction and pursuing opportunities to enhance revenue at the SDSMT.

**Senator Deb Peters** asked if the university followed the state salary policy. Mr. Kramer responded that the BOR has different types of employees. Career service employees would receive the changes consistent with the rest of state government. Faculty and administrators do not participate and the salaries have been 29% below the region for faculty pay. This created a hardship to recruit and retain faculty and staff, therefore, the students imposed on themselves a 1% salary enhancement fee to try and increase pay. The pay increase is competitive and a 0% to 5% increase is distributed based on merit.

In response to Senator Peter's question, Mr. Kramer stated that the BOR will have a reduction in the overall personal services. The FY2012 recommended budget includes reductions for personal services. Currently, 85% - 90% of the universities budgets are salary dependent. The BOR is managing all positions and filling of all vacant positions are approved by Dr. Warner.

Senator Haverly asked about the salary for vacant FTEs. Mr. Kramer stated that the BOR has turnover in the system and the funds in personal services are used for pay the shortfall in utilities. There were fewer turnovers last year. Some vacant positions need to be filled, but all openings will be reviewed before hiring. After eliminating vacant FTEs and looking for additional savings, the BOR may need to layoff some employees to meet the budget recommendation

Senator Peters asked about the growth in FTEs. Dr. Chicoine replied that the growth of FTEs at SDSU is associated with the grants and contracts. The university needs to have the authority to hire the people for the grant. If the grant and contract funds are eliminated, the positions associated with it are eliminated also. Dr. Wharton said that SDSMT has about 20 employees that are funded by DUSEL. As the project continues to grow, more people will be hired. However, if the funds are eliminated, the positions are in jeopardy.

Senator Peters requested a list of the positions that the universities are hiring and the funding sources.

**Representative Dean Wink** asked about the core mission of the AES and CES. Dr. Chicoine stated that SDSU is working on the core mission. If the funding is not available, SDSU will need to think about how to fulfill the missions. A stakeholder group evaluated the issue and provided input regarding ways to right size the research operations to fulfill the missions with a revised base.

**Dakota State University**

For FY2012, the Governor recommends a budget of \$32,243,334 and 284.8 FTEs; which is a decrease of \$787,402 (9.6%) in general funds, an increase of \$2,144,515 in federal fund expenditure authority, an increase of \$1,250,000 in other fund expenditure authority, and an increase of 35.0 FTEs from the FY2011 budget.

**Dr. Doug Knowlton**, President of Dakota State University (DSU), distributed a handout outlining the university's highlights, changes, and budget for FY2011 (**Document #7**).

The university was able to raise in external funds \$2.8 million in FY2009, \$8.7 million in FY2010, and \$9.6 million in pending proposals for FY2011. This is an increase over a 200% in obtaining federal grants since FY2009.

Three years ago, DSU made the decision to not use the regular accreditation process, but use the Academic Quality Improvement Program (AQIP) – an alternative, on-going quality improvement accreditation process which an organization can use to maintain its accreditation with the Higher Learning Commission.

DSU adopted the Continuous Quality Improvement (CQI) Initiative to address challenges of continuous improvements and the delivery of outstanding and cost-effective higher education. Throughout the 2010-2011 academic year, 160 faculty members have been trained to be active participants in the process. The university will utilize the CQI process to define priorities and frame budgetary reductions. Some of the budgetary impacts for FY2012 include:

- Technology investment – need to fulfill the university's mission by continuously upgrading the software and hardware, but the budget will be reduced;
- Athletics – movement to independent status for sports which will save travel expenses, conference dues, etc.;
- Review of instructional programs, including high-cost programs;
- Infrastructure investments - \$3 million being spent on infrastructure improvements, including many energy-efficiency projects; and
- Faculty attrition – high profile/high-demand fields with higher starting salaries.

**Northern State University**

For FY2012, the Governor recommends a budget of \$34,021,953 and 326.5 FTEs; which is a decrease of \$10,214,994 (10.1%) in general funds, a decrease of \$747,103 in federal fund expenditure authority, and an increase of 5.0 FTEs from the FY2011 budget.

**Mr. Jim Smith**, President of Northern State University (NSU), distributed a handout outlining the university's highlights, changes, and budget for FY2011 (**Document #8**).

President Smith stated that the fall enrollment at NSU was 3,296 (20%) higher than last year. The statewide E-learning enrollment reached a record high with 99 school districts and 1,095 students. The presence of on-line learning has doubled from a year ago. However, with the budget reduction, NSU will not be able to continue the E-learning program as provided in prior years. The university will need to examine restrictions to high schools, not offering some programs, and reducing some courses offered.

Senator Peters asked about the funding for E-learning. President Smith responded that a 10% cut to the program is about \$83,000. The university is losing \$75,000 for matching money for AP course work from the Department of Education. NSU is also nearing the end of the Learning Power Grant. The university would need about \$193,000 to continue offering the E-learning services provided today.

Other reductions based on the recommended FY2012 budget include:

- Eliminate traditional summer school and convert all summer offerings to online classes only;
- Reduce the number of Advanced Placement course offerings statewide;
- Eliminate program offerings that do not yield moderate to strong return on investment despite the need for graduates in community and region; and
- Continue to examine low productivity programs and make appropriate eliminations to coursework for those areas identified.

**Senator Phyllis Heineman** asked about the Learning Power Grant. President Smith stated that \$75,000 NSU receives from the state department allows the university to have mentors that work with the Advanced Placement courses. Students taking Advanced Placement courses get college credit while still attending high school. The Advanced Placement courses are done in conjunction with the school districts. The \$75,000 from the state is how the NSU provides the services with mentors. The Learning Power Grant funds some of the NSU faculty that are teaching.

### **Black Hills State University**

For FY2012, the Governor recommends a budget of \$47,880,331 and 410.5 FTEs; which is a decrease of \$1,056,815 (13.7%) in general funds, a decrease of \$5,710,280 in federal fund expenditure authority, an increase of \$477,400 in other fund expenditure authority, and an increase of 11.0 FTEs from the FY2011 budget.

**Dr. Kay Schallenkamp**, President of Black Hills State University (BHSU), distributed a handout outlining the university's highlights, changes, and budget for FY2011 (**Document #9**).

Of the \$7.7 million state investment, BHSU generates approximately \$59.8 million a year in total economic impact to South Dakota in the short-term and approximately \$190.6 million a year in the long-run.

To address the FY2012 budget, BHSU will look at some of the following activities:

- Eliminate up to 2 academic programs;
- Eliminate or reduce services for students – labs, printing, student organization support;
- Close the swimming pool;
- Reduce the maintenance and repair;
- Consolidate or reduce the administration;
- Keep positions vacant – reduce services and support;
- Reduce costs for faculty evaluations and student assessment testing;
- Extend replacement cycle of technology and equipment;
- Increase video conference and webinars for professional development to reduce travel costs; and
- Pursue opportunities to enhance revenue.

Some of the impacts from the proposed budget include the loss of 12 FTE for faculty and staff, reduced course offerings, deterioration of facilities, and reduced support services for student retention.

In response to Representative Wink's question, Dr. Schallenkamp stated that the programs that will be eliminated have not been identified yet. The program offerings will be reviewed.

**Representative H. Paul Dennert** asked about the elimination of the swimming pool. Dr. Schallenkamp stated that when the pool was constructed 20 years ago, it was partially funded with a temporary increase in the city sales tax. The additional sales tax was eliminated and city support has declined over the year. It costs \$29,000 annually to operate the pool.

#### **South Dakota School for the Blind and Visually Impaired**

For FY2012, the Governor recommends a budget of \$3,108,833 and 52.6 FTEs; which is a decrease of \$273,150 (10.0%) in general funds and an increase of \$100,000 in other fund expenditure authority from the FY2011 budget.

#### **South Dakota School for the Deaf**

For FY2012, the Governor recommends a budget of \$3,322,540 and 36.9 FTEs; which is a decrease of \$295,406 (10.0%) in general funds and an increase of \$100,000 in other fund expenditure authority from the FY2011 budget.

**Dr. Marjorie Kaiser**, Superintendent of the South Dakota School for the Blind and Visually Impaired (SDSBVI) and South Dakota School for the Deaf (SDSD), distributed a handout outlining the universities highlights, changes, and budget for FY2011 (**Document #10**).

Dr. Kaiser stated that there are no longer two separate administrations for the two special schools. The schools will no longer maintain a reserve to finance out-of-state tuition for deaf

students in residential schools since the parents were satisfied with the program initiated in Harrisburg.

Activities that will be changed in FY2012 include:

- The schools have already consolidated all administrative functions between the two special schools thereby eliminating three positions at SDSD for 2012;
- The SDSBVI superintendent, business manager, and human resources director are responsible for both special schools; and
- Will make adjustments to personnel (reduce staff) and reduce operating expenditures on each campus to meet the proposed budget.

Major studies have been conducted recently at both special schools to determine the best way to deliver educational services to students with sensory impairments in the state. The schools will continue to address the recommendations from the taskforces. However, where additional personnel is required to implement the initiatives, the schools will undoubtedly return to the committee in the future to address the needs of students with vision or hearing loss.

Senator Peters asked about the contract funding to pay for the students at Brandon and Harrisburg. Dr. Kaiser stated that the students are budgeted in the SDSD budget on a contractual basis. Students apply through a process run by the SDSD. There is a joint placement committee that looks at the eligibility for the programs. Students in the programs receive support and services. The per student cost has not been figured because it varies depending on the number of students enrolled in each program, but each contract is for \$300,000.

Representative Wink and Senator Peters asked if the schools receive additional funding from the Office of School and Public Lands (SPL). Dr. Kaiser stated that the SPL provide \$100,000 per school. **Mr. R. Lee Ginsbach**, Business Manager for the special schools, stated that the special schools will not receive more SPL funding each year. A cash balance above the appropriation was built up over that past couple years and the special schools need authority to spend the funds. The special schools are asking for one year of additional authority.

Senator Brown stated that one goal of the legislature is to have a sustainable budget not reliant on one-time funding. Mr. Ginsbach stated that it was not the intent of the schools to have on-going funds. Since the additional cash is available, the special schools are requesting that the expenditure authority for FY2012 will be increased for a one-time expenditure. By doing this, the state will be delaying the decrease of \$100,000 for both special schools for another fiscal year.

Senator Brown asked how the funds will be replaced. Dr. Warner stated one area is to generate revenue from the existing facilities. There are people interested in leasing the buildings and those revenue funds could be used to backfill the budget.

Representative Wink asked about the current use of the SDSD facility. Dr. Warner stated that the BOR is currently evaluating the cost benefit of keeping the staff where they are currently located because the administrative staff and specialized audiology lab would need to be replicated if the staff was moved to another location.

Another option, if the staff is not relocated, is to lease out use of the gymnasium and the classroom facilities since it is not be best time to sell property in the current economy. There is space within the BOR system that will be available in the future to hold the audiology lab.

In response to Representative Dennert's question, Dr. Kaiser stated that since the budget recommendation includes the elimination of out-of-state placement funding, local school districts would need to pay for the services if it was requested. Dr. Warner commented that he does not anticipate any requests based on the response from parents with children attending the program in Harrisburg.

Senator Peters asked if the BOR will need increased funding authority for the potential raise in tuition and fees. Mr. Kramer stated that authority to spend the tuition and fees are continuously appropriated. The BOR does not need additional authority for an increase in tuition. Mr. Baloun stated that net budget reduction will be the same, but the BOR would like latitude to make changes between institutes as the BOR works through the proposed budget cut.

Senator Haverly asked if the BOR has the ability to transfer funds between universities. Dr. Warner responded that the BOR is not allowed but some limited authority would be appreciated. Mr. Kramer stated that SDCL 4-8A-8 does not allow the BOR to make budget changes between universities. The interim appropriations committee would have to allow the BOR to adjust the university's budgets. The BOR will very likely be coming to the interim appropriations committee asking for adjustments. The other option is to place something in the general bill that would allow the BOR to make changes between universities.

Senator Peters requested a preliminary overview of the FY2012 budget reduction details per university prior to the hearing of the General Bill.

Senator Putnam asked if SDCL 4-8A-8 includes the movement of stimulus funding. Mr. Kramer stated that the BOR does not have the opportunity to move stimulus money back into the budget in different ways than were cut.

MOTION: ADJOURN

Moved by: Haverly  
Second by: Brown  
Action: Prevailed by voice vote.

Lisa Shafer  
Committee Secretary

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Dean Wink, Chair